

2.2 Organizational Structure

Exam-prep notes: hierarchy, delegation, span of control, and design choices

Topic in one sentence

Organizational structure sets reporting lines, allocates authority, and coordinates work so the business can achieve its goals.

Why this topic matters

Structure affects speed of decision-making, quality of communication, employee motivation, and how well a firm adapts to growth or change.

Core terms

Authority = right to decide. Responsibility = duty to carry out a task. Accountability = answerability for results. Delegation = passing authority downward.

Learning goals

Compare common structures, judge when delegation helps, distinguish tall and flat structures, and evaluate centralization, bureaucracy, and layering.

Common trade-off

The central tension is control vs flexibility: more layers and rules improve oversight, while fewer layers and wider autonomy improve speed and initiative.

Big exam move

Do not just name a structure. Link it to context: business size, staff skill level, need for innovation, regulatory pressure, and pace of market change.

Growth signal

As firms expand, founders usually cannot keep every decision. Departments, regional managers, or project leaders are added to keep coordination manageable.

Case-study clue

Watch for evidence such as slow approvals, duplicated work, international expansion, product diversification, or managers being overloaded.

Structure foundations

Structure is the framework that defines who reports to whom, where decisions are made, and how departments coordinate work. Good structure improves control without choking communication.

Term	What it means	Why it matters in practice
Authority	The formal right to make decisions, direct staff, and allocate resources.	Shows who can act immediately and who must seek approval first.
Responsibility	The duty to complete assigned work and meet expected standards.	Lets managers judge performance and clarify job expectations.
Accountability	Being answerable for outcomes, even when some tasks are delegated.	Stops managers from passing blame downward when results are poor.
Delegation	Passing decision-making power to lower levels of the organization.	Can speed up responses and motivate staff if limits are clear.
Vertical communication	Information moving up and down the hierarchy.	Supports control and feedback, but may be slow in tall organizations.
Lateral communication	Coordination between people or departments at the same level.	Helps functions such as design, purchasing, and sales work together.

Delegation passes authority downward, but accountability for final results stays with the manager.

Worked example: growth pressure

In a small online retailer, the founder may initially handle supplier deals, complaints, and marketing. As orders grow, warehouse and customer-service managers need delegated authority or operations slow down.

Worked example: local decisions

In a hotel chain, letting front-desk managers resolve routine guest complaints immediately can improve service speed and customer satisfaction without waiting for head office.

Exam tip

When answering AO3 questions, define the structural term, apply it to the business context, then explain the effect on speed, control, motivation, or coordination.

Why structure matters

It clarifies roles, reduces confusion, and helps staff know where to send information or requests.

Common weakness

Too many approval stages can create bureaucracy, message distortion, and slow responses to customers or competitors.

Judgement line

A structure is suitable only if it matches the firm's size, strategy, risk level, and staff capability.

Main organizational structures

Firms choose different structures depending on whether they need specialism, product focus, regional responsiveness, project delivery, or fast communication.

Structure	Best used when	Main strength	Main risk
Functional	The business needs specialist departments such as finance, HR, operations, and marketing.	Deep expertise and clearer training within each function.	Departments may become silos and cooperate poorly.
Product or divisional	The firm sells several product lines or brands with different markets.	Clear accountability for each line and stronger customer focus.	Resources may be duplicated across divisions.
Geographical	The company operates in different countries or regions with different customer needs.	Local managers can adapt to regional demand and competition.	Harder to keep branding and standards fully consistent.
Project-based	Work is organized around contracts, launches, or one-off deliverables.	Cross-specialist teamwork focused on a clear objective.	Staff may face uncertainty when projects end or overlap.
Flat	The organization is small, creative, or fast-moving and wants rapid communication.	Fewer layers, quicker decisions, and more autonomy.	Managers can become overloaded and roles may blur.

Functional example

A manufacturer may group staff into finance, marketing, HR, and operations to build specialist expertise.

Divisional example

An electronics firm may separate smartphone, laptop, and accessories divisions so each line has focused management.

Rule of thumb

No structure is best in all cases. Suitability depends on size, pace of change, product range, and need for coordination.

Delegation in practice

Delegation becomes more important as businesses grow. It can improve speed and motivation, but only when staff are capable, trained, and given clear limits.

Why managers delegate

Local managers can solve routine problems faster.
 Employees often feel trusted and more motivated.
 Senior leaders free time for strategy.
 Junior staff build leadership experience for future promotion.

Why managers may limit it

Poorly trained staff may make costly errors.
 Decisions may become inconsistent across branches.
 Highly regulated sectors require tighter approval processes.
 During crises, centralized control can be safer and faster.

Delegation passes authority - not ultimate accountability. The delegating manager still answers for the result.

Situation	Best structural response	Why
Routine guest complaint at a hotel	Delegate to front-desk or duty managers within set limits.	The issue is local, time-sensitive, and solved better near the customer.
Compliance change in pharmaceuticals	Keep senior oversight and formal sign-off.	Legal and safety risk is too high for loose delegation.
Temporary client contract in construction	Delegate authority to a project leader.	Clear ownership helps the team meet cost, quality, and time targets.

How to use this in an exam

Judge delegation by asking whether the employees are skilled enough, whether the decision is routine or risky, and whether faster local action creates more benefit than loss of control.

Hierarchy and span of control

A tall structure has many management layers, while a flat structure has fewer. Span of control refers to how many people report directly to one manager.

Factor	Tall structure	Flat structure
Management layers	Many levels between senior leaders and operational staff.	Few levels, with shorter reporting lines.
Communication speed	Usually slower because messages pass through more stages.	Usually faster because fewer people intervene.
Supervision	Closer control and more direct monitoring.	Less detailed supervision and more self-management.
Employee autonomy	Often lower because decisions stay higher in the hierarchy.	Often higher because staff and junior managers take more initiative.
Typical fit	Large, formal, risk-sensitive organizations.	Small, dynamic, creative, or entrepreneurial firms.

Span of control = the number of subordinates directly supervised by one manager.

Narrow span example

A senior consultant in a hospital may supervise only a small team. High-risk work and the need for precise decisions often justify a narrow span of control.

Wide span example

A logistics manager in a fast-growing e-commerce business may oversee many warehouse staff. Routine processes and clear systems make a wider span practical.

Staff skill

Experienced professionals can usually work with less supervision, allowing wider spans of control.

Leadership style

Managers who trust staff and encourage autonomy can often supervise larger teams effectively.

Task complexity

Creative, risky, or urgent tasks often justify closer supervision and narrower spans.

Chain of authority, formal systems, and control

Organizations also choose how formal their procedures should be and whether decisions stay at the top or are spread across departments, branches, or regions.

Concept	What it means	Main advantage	Main drawback or risk
Chain of authority	A clear reporting path showing who supervises whom.	Supports accountability and clarifies who gives instructions.	Long chains can slow urgent decisions and distort messages.
Formal procedures or bureaucracy	Written rules, job descriptions, and approval steps.	Consistency, fairness, and compliance.	Too many rules may slow adaptation and reduce creativity.
Centralization	Important decisions are made mainly by senior leaders.	Stronger control and more consistent strategy.	Local managers may respond too slowly to customers or change.
Decentralization	Decision-making power is spread across regions or departments.	Faster local action and stronger manager ownership.	Risk of inconsistency unless coordination is strong.
Delayering	Removing management levels to shorten reporting lines.	Lower overheads and quicker communication.	Managers may become overstretched; experience may be lost.

Do not confuse these terms

Delayering removes management levels. Delegation keeps the structure in place but pushes some authority downward within it.

Where formality helps

Banking, public administration, and other compliance-heavy sectors need formal procedures because errors can create legal, financial, or safety problems.

Where flexibility matters

Online retail, fintech, and other fast-moving sectors often reduce unnecessary layers so information reaches decision-makers quickly.

Choosing the right structure for the situation

Managers should not treat structure as fixed. As firms grow, diversify, enter new regions, or face new risks, they often need to redesign reporting lines and decision rights.

Context clue	Likely structural response	Why this often works
Rapid market change or innovation pressure	Flatter structure, wider delegation, or project teams.	Quicker decisions help the firm respond to trends and experiment.
Strict regulation or high safety risk	Clear hierarchy and more formal controls.	The business needs oversight, consistency, and documented accountability.
International expansion	Geographical divisions or regional managers.	Local teams can adjust to customer preferences and competitive conditions.
Wide product range	Product or divisional structure.	Each line can focus on its own customers, costs, and performance.
Founder becoming overloaded	More delegation and specialist departments.	Bottlenecks fall and managers can focus on strategic priorities.
Temporary contracts or one-off deliverables	Project-based structure.	Cross-functional teams can focus on cost, quality, and deadlines.

Typical growth path

A small founder-led firm often begins informally. As it grows, it may add functions such as finance and marketing, then regional or product managers, and later streamline through delayering.

AO3 judgement model

A strong AO3 answer weighs both sides, applies the structure to the case, and ends with a judgement: appropriate for now, but only if it fits staff capability, scale, and the need for control.

Fast judgement sentence

A structure is effective when it improves coordination and decision-making for this business context, but ineffective when its control mechanisms become slower or more costly than the problems they solve.

Quick recall and practice

Use this final page to test whether you can define, apply, analyse, and evaluate organizational structure under exam pressure.

10-second checks	Answer cues
<ol style="list-style-type: none"> 1. What is organizational structure? 2. What is the difference between authority and accountability? 3. What is delegation? 4. Name two advantages of a flat structure. 5. Why can tall structures slow decisions? 6. What is span of control? 7. When is a narrow span useful? 8. What is centralization? 9. How is delayering different from delegation? 10. Why must structure fit strategy? 	<ol style="list-style-type: none"> 1. Reporting lines, roles, and decision pathways. 2. Authority decides; accountability answers for results. 3. Passing decision power downward. 4. Faster communication; more autonomy. 5. More levels mean slower message flow and more approval stages. 6. Number of subordinates per manager. 7. High-risk, complex, or closely supervised work. 8. Key decisions stay with senior leaders. 9. Delayering removes levels; delegation redistributes authority. 10. Because size, risk, and speed needs differ by business.

Prompt	What a strong response should do
Explain one benefit and one drawback of delegation.	Show how faster local decisions or motivation might improve performance, but balance this against training needs or loss of consistency.
Assess whether a flat structure suits a technology start-up.	Use the need for speed and creativity as benefits, then judge whether rapid growth or weak control could become a problem.
Evaluate whether a multinational should decentralize.	Apply the answer to regional customer needs, but also consider branding consistency and coordination costs.
Discuss whether delayering will improve efficiency.	Explain lower overheads and quicker communication, then weigh this against manager workload and possible loss of experience.

Memory hook

Structure is the map of authority inside the business. In exams, identify where decisions sit, how information travels, and whether that design helps or hinders performance.